

# BIRCH BAY COMPARATIVE DEMOGRAPHIC AND MARKET ANALYSIS

## 1.0 INTRODUCTION AND SUMMARY OF FINDINGS

To inform the Incorporation Feasibility Study itself, and to inform readers of the study as they debate Birch Bay's future, this analysis includes (1) an examination of the demographic profile of the Birch Bay area and (2) a high-level assessment of the market conditions that will drive future growth in the area over the coming years.

As residents are well aware, Birch Bay is heavily influenced by its seasonal population, with more than half of the area's housing units categorized as seasonal housing by the US Census. Among existing Pacific Northwest cities, Birch Bay's share of seasonal housing is most comparable to a collection of cities on the Oregon coast, including Rockaway Beach, Cannon Beach, and Gearhart.

Development pressures in Birch Bay are heavily skewed towards residential development. Housing stock in the area has increased by an annual rate of almost 5% per year for the past seven years. Trends like aging baby-boomers and increases in the relative affordability of Birch Bay housing to Canadian citizens are likely to maintain pressure for new housing in the Birch Bay area for some time.

In terms of its resident population (which excludes seasonal visitors), Birch Bay's population is more heavily weighted in the 35 to 65 age brackets than most other cities in Whatcom County, and is more similar to other coastal cities in Washington State like Port Townsend and Ocean Shores.

Like many cities with a population of less than 7,500, Birch Bay has only limited commercial offerings. However, commercial enterprises in the area *do* benefit from seasonal visitors. As resident and seasonal population continues to grow in coming years, one can expect to see at least some increased opportunities for retail and services.

The following Birch Bay Demographic and Market Profile presents a collection of statistics that characterize the Birch Bay area. Many of these statistics apply to the Birch Bay Census Designated Place (CDP), which includes and extends somewhat beyond the contemplated Birch Bay incorporation area.

Most statistics are presented in relation to a selection of other communities to establish context for the measures. The communities chosen for comparison fall into three categories:

- Neighbors
  - Blaine
  - Ferndale
  - Bellingham
  - Lynden
  - Sumas
  - Whatcom County as a whole
- Peers
  - Ocean Shores
  - Port Townsend
- Others
  - Central Puget Sound

## 2.0 BIRCH BAY AREA BOUNDARIES

**Exhibit 1** shows the map of Birch Bay area and three different boundaries that, historically, have been used to describe Birch Bay: (1) the Birch Bay Urban Growth Area (UGA), which has been identified as the contemplated incorporation area for the purposes of the feasibility study, (2) a more expansive Birch Bay Census Designated Place (CDP), and (3) the Birch Bay Planning Area (as presented in 2004 Birch Bay Community Plan by Kask Consulting, Inc.).

Unless otherwise noted, the following statistics describe the Birch Bay CDP, and are based on statistics from the US Census Bureau's 2000 census.

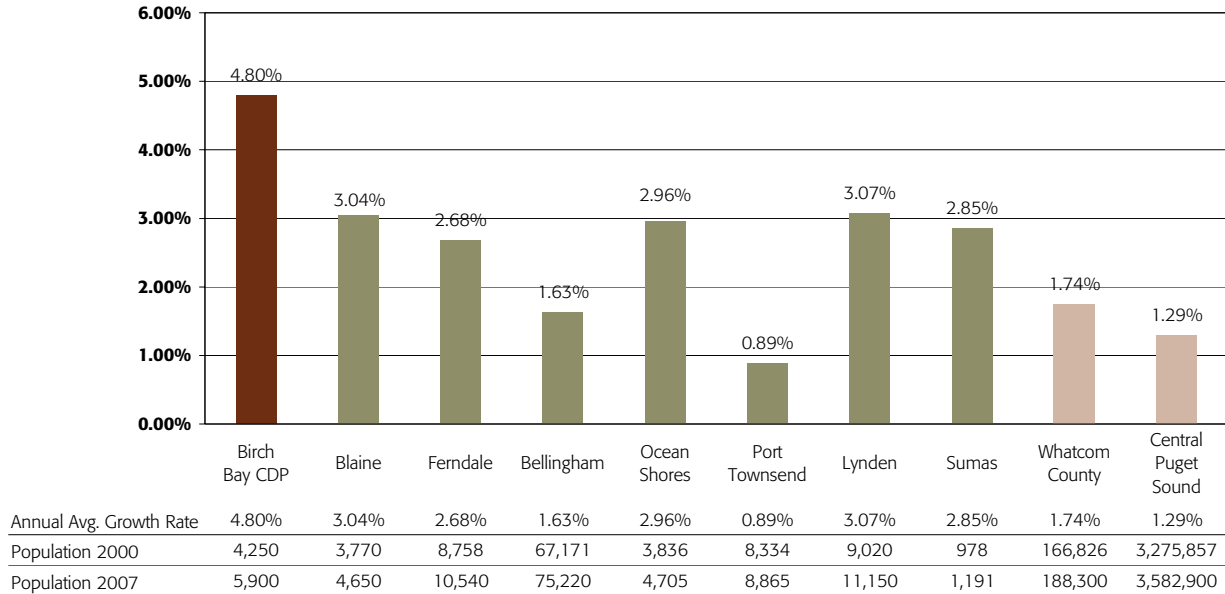
**Exhibit 1**  
**Birch Bay Area Map**



Source: Census 2000, Birch Bay Community Plan, 2004, and Berk & Associates 2007

### 3.0 POPULATION

**Exhibit 2  
Population Average Annual Growth Rate, 2000 to 2007**



Source: Office of Financial Management, 2007, Census 2000, Whatcom County Assessor, 2007, and Berk & Associates, 2007

**Note:** Estimates of Birch Bay UGA population are based on Berk & Associates’ analyses of census block data and Whatcom County Assessor’s data regarding housing units. Because the UGA boundary does not coincide with census block boundaries, census counts of households and population in blocks that are partially in the UGA have been allocated to the UGA based on the distribution of housing units in those blocks. Estimates of population growth in the UGA are based on permitted housing units from 2000 to 2006, and are based on an assumption that 50% of new housing units are occupied by full-time residents.

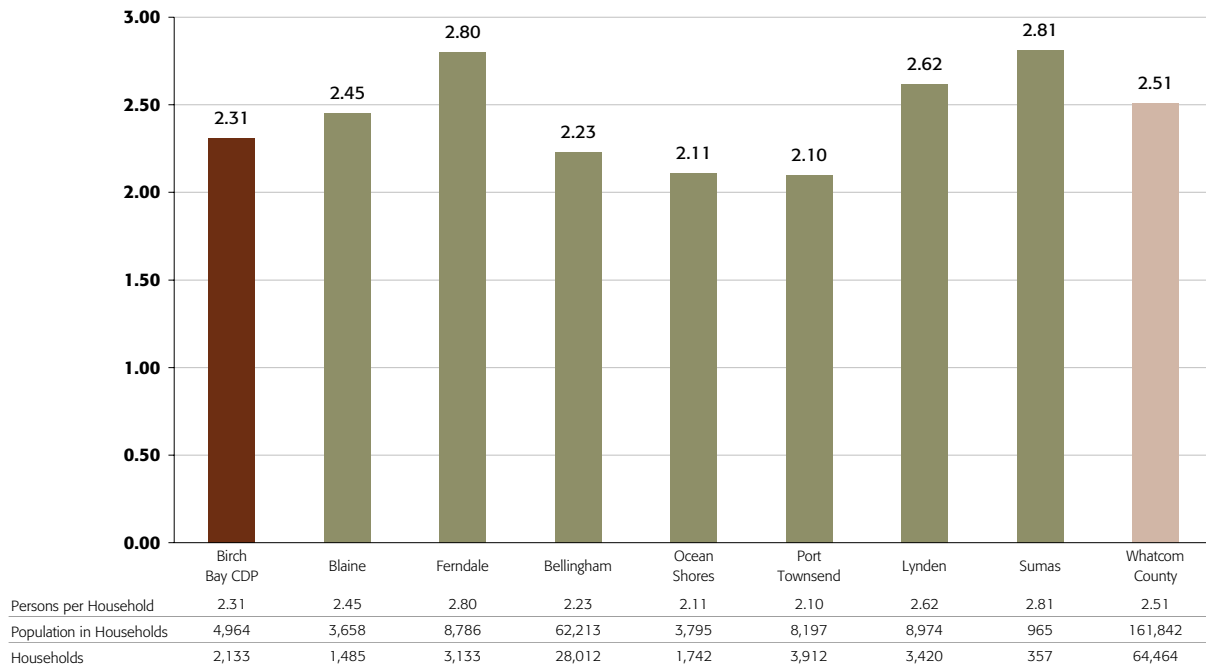
The population figures for comparison cities are adjusted to exclude population gains through annexation.

- **Exhibit 2** demonstrates that from 2000 to 2007, the Birch Bay Urban Growth Area (UGA) has grown faster than comparison cities, Whatcom County, or Central Puget Sound. The next largest increases were in Blaine and Ocean Shores; however, these increases were still almost 2% lower than Birch Bay.
- It is important to note that construction of housing can be an important source of one-time city revenue by contributing to retail sales tax base (sales taxes are collected on most of the cost of housing construction). They also contribute to city Real Estate Excise Taxes, which, by law, must be dedicated to funding a city’s capital investments.

- **Exhibit 3** shows that in 1999 Birch Bay had higher number of persons per household among its full-time resident households (2.31) than Bellingham (2.23), but lower than Blaine (2.45), Ferndale (2.80) and the average for Whatcom County (2.51). Other peer cities like Ocean Shores (2.11) and Port Townsend (2.10) share the bottom of the range, indicative of older households with fewer children and a greater share of retirees. Bellingham’s lower household size is likely influenced by the presence of Western Washington University.

**Exhibit 3**

**Persons Per Household, 1999**

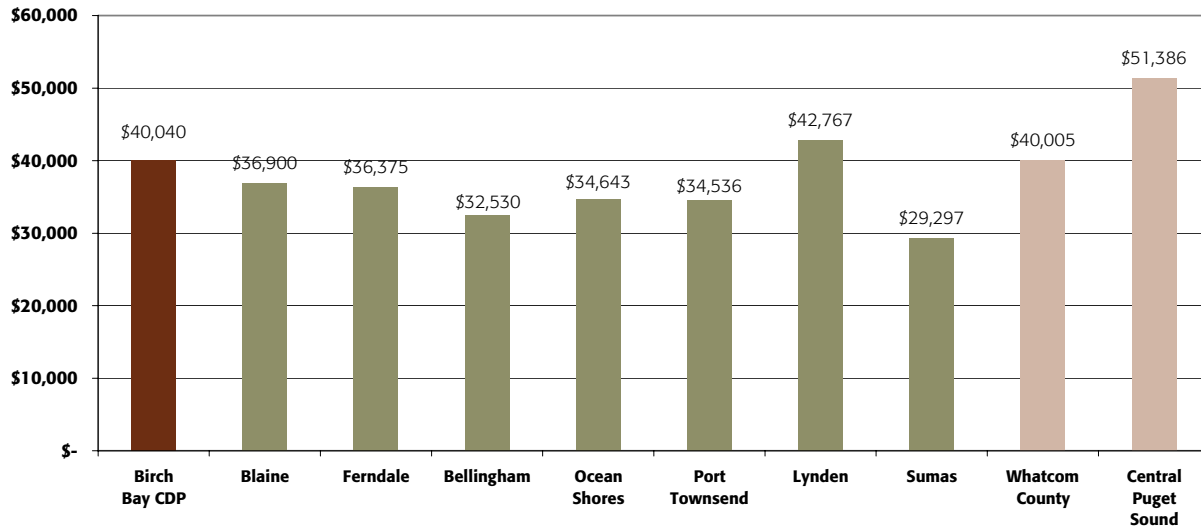


Source: Census 2000, and Berk & Associates 2007

## 4.0 INCOME

### Exhibit 4

#### Median Household Income, 1999

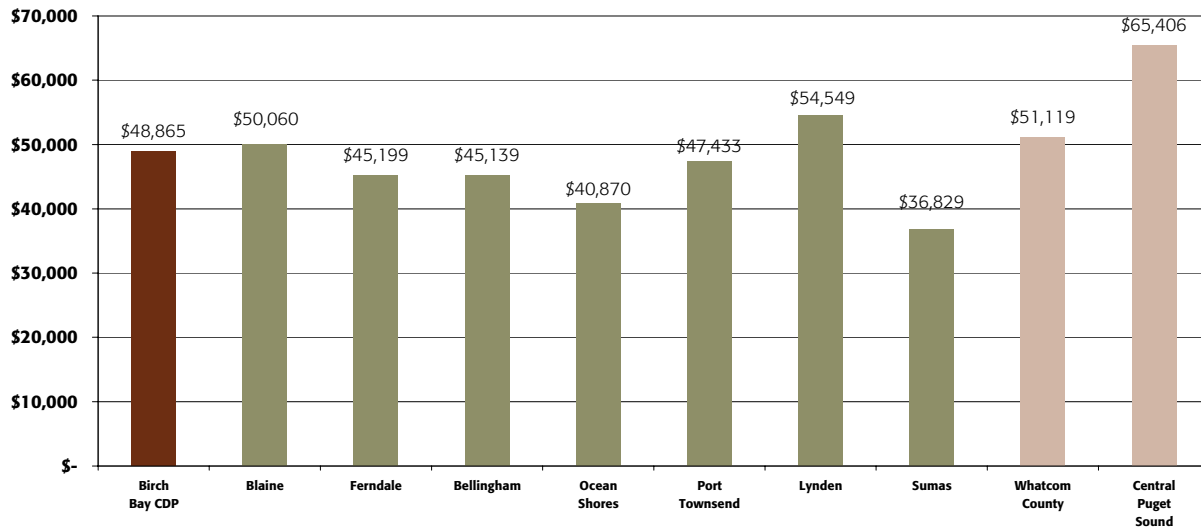


Source: Census 2000, and Berk & Associates 2007

- Exhibit 4** shows Median<sup>1</sup> Household Income as measured by the 2000 Census. (If an area's median income is \$40,000, it means that half of the households who live in the area have an annual income of less than \$40,000 and the other half have an income of more than \$40,000.) It demonstrates that Birch Bay CDP in general has a higher median income than all of the other cities in Whatcom County except Lynden, and is about the same as the Whatcom County average. Income statistics for the Central Puget Sound are dominated by a large concentration of high-income earners in King County.

<sup>1</sup> Median is the middle value—half are larger, half are smaller.

**Exhibit 5**  
**Average Household Income, 1999**

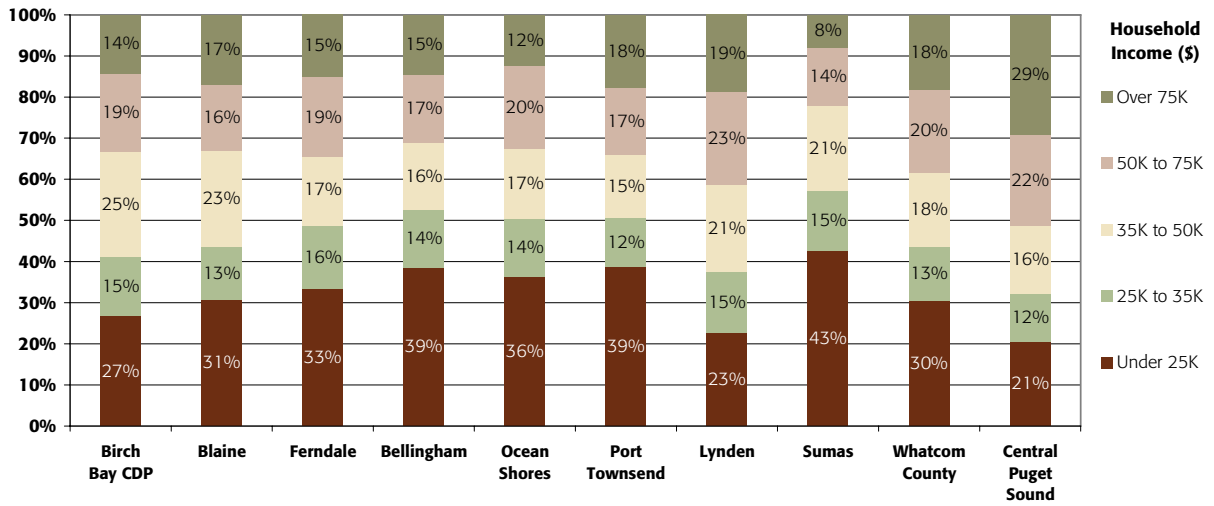


Source: Census 2000, and Berk & Associates 2007

- As shown in **Exhibit 5**, Birch Bay CDP has somewhat lower average household income than its neighbor Blaine and Whatcom County average.
- Median and Average are two different ways of finding the middle of a group of data. Median treats each entry in the group as having equal weight, while one calculates Average by simply dividing total income in an area by the total number of households. If Bill Gates lives in your community, even though his family counts as only one household, it brings the average income of the community way up. As in the Bill Gates example, in cases where some households are significantly wealthier than others, the Average will be skewed away from the Median.
- In this instance, Birch Bay's Average is relatively close to its Median. This suggests that Birch Bay has a lower concentration of very-high-income households than does a community like Lynden or Whatcom County as a whole. In a similar example, Port Townsend has more weight on the high-income side to pull up its Average household income than does Ocean Shores.
- In the case of the Central Puget Sound Region, very-high-income earners in King County skew the average statistics for the region upward when compared with the median figures.

Exhibit 6

Income Distribution, 1999



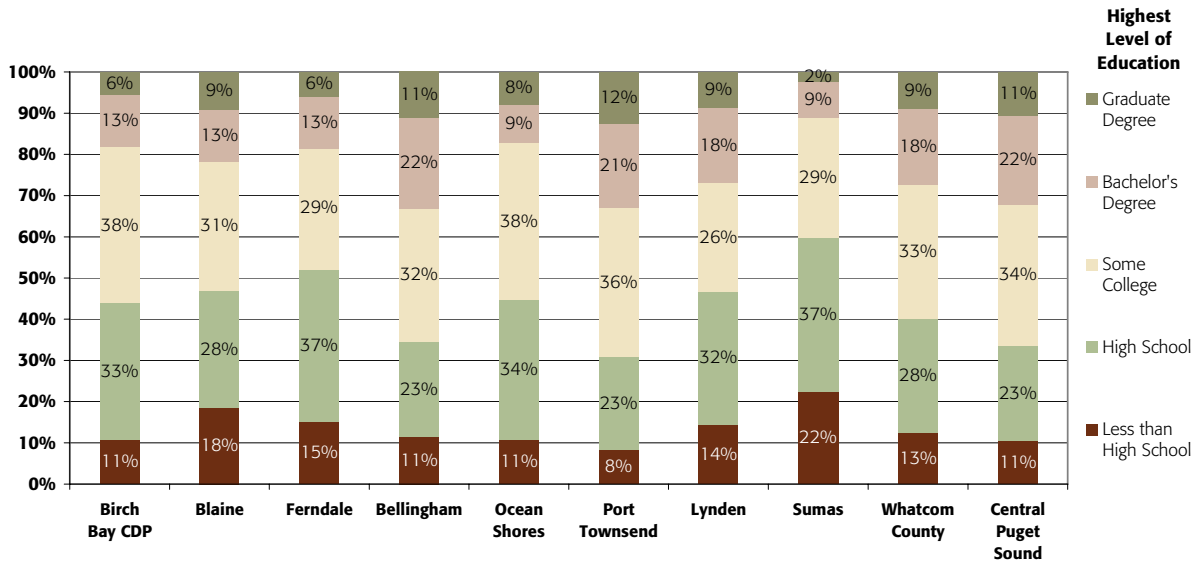
Source: Census 2000, and Berk & Associates 2007

- **Exhibit 6** Demonstrates that Birch Bay has one of the lowest shares of households earning less than \$35,000 per year (42%). Whatcom County average is 43%.
- However, Birch Bay CDP has a slightly lower percentage of households earning over \$75,000 than Blaine, Ferndale, Bellingham and Whatcom County average.

## 5.0 OTHER DEMOGRAPHICS

### Exhibit 7

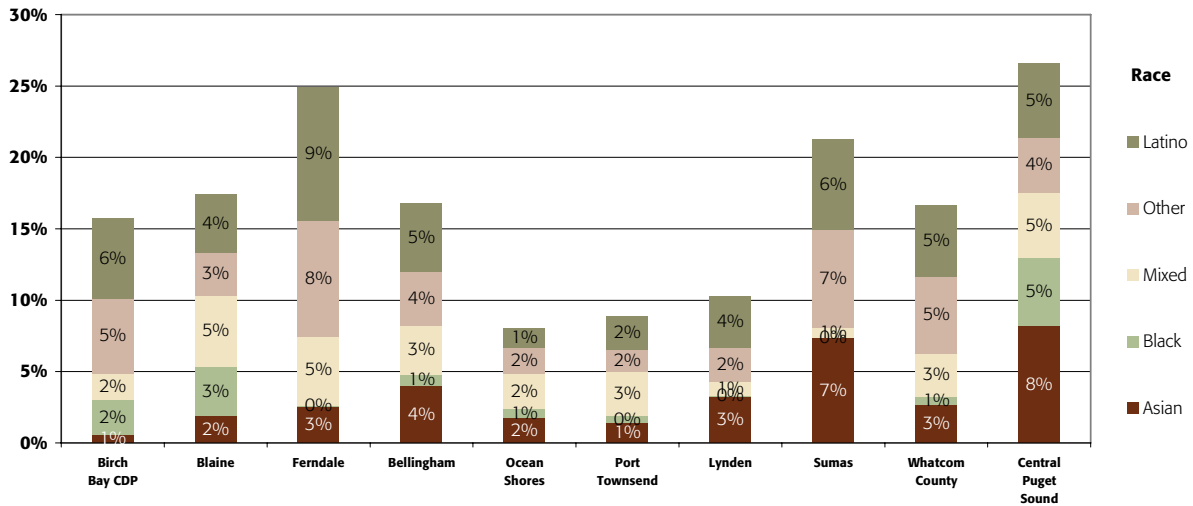
#### Educational Attainment, 1999



Source: Census 2000, and Berk & Associates 2007

- Birch Bay CDP has fewer residents with education of high school diploma or less than most of the cities in Whatcom County pictured in **Exhibit 7**, except Bellingham.
- However, Birch Bay has one of the lowest (except Ocean Shores and Sumas) proportion of population with bachelor's degree or more.

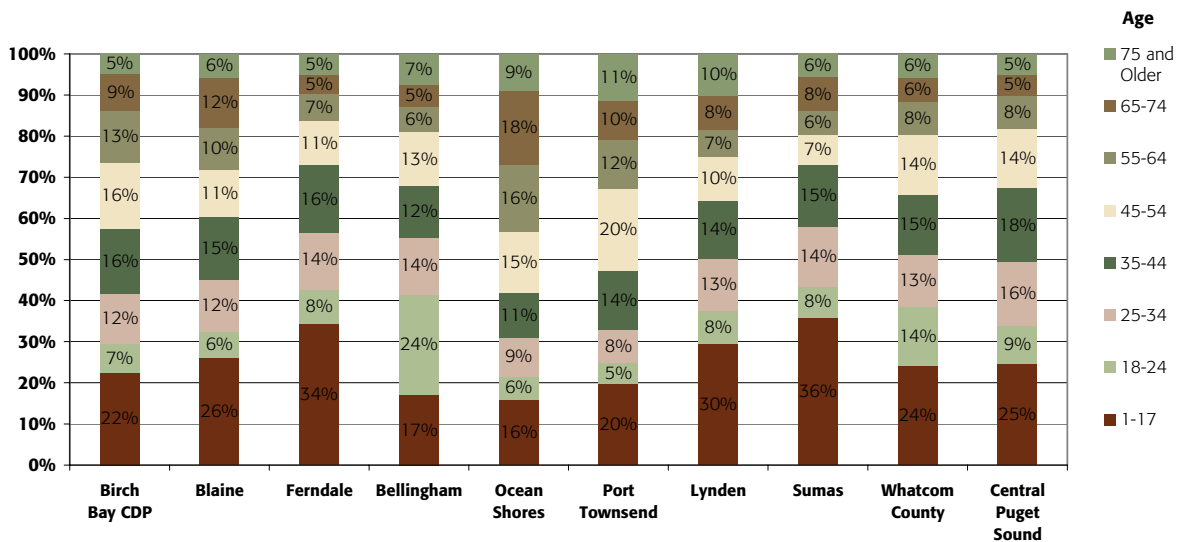
### Exhibit 8 Minority Race Distribution, 1999



Source: Census 2000, and Berk & Associates 2007

- Birch Bay CDP's percentage and distribution of minority race population (**Exhibit 8**) is roughly similar to Whatcom County as a whole.

### Exhibit 9 Age Distribution, 1999

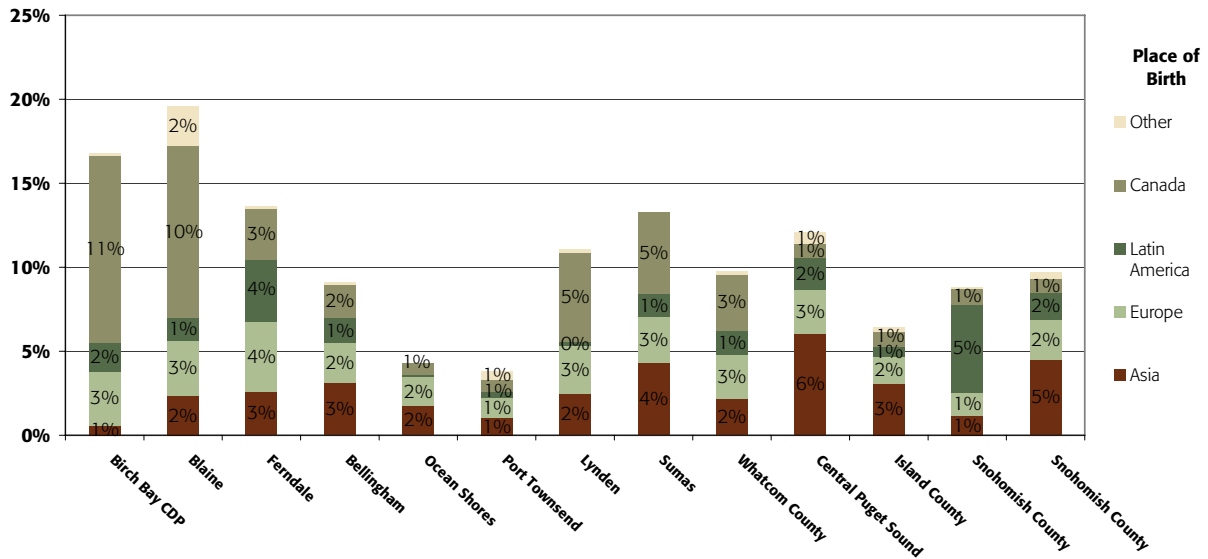


Source: Census 2000, and Berk & Associates 2007

- Birch Bay CDP has more people over 44 than other cities in Whatcom County (**Exhibit 9**). About 22% of the population are juveniles; about 14% are over 65; and the remaining 64% are of working age.
- The age breakdown demonstrates that Ocean Shores and Port Townsend are seeing a large number of older workers and retirees. The distributions are skewed heavily to older population in these cities.

**Exhibit 10**

**Distribution of Foreign Born Population as Percent of Total Population**



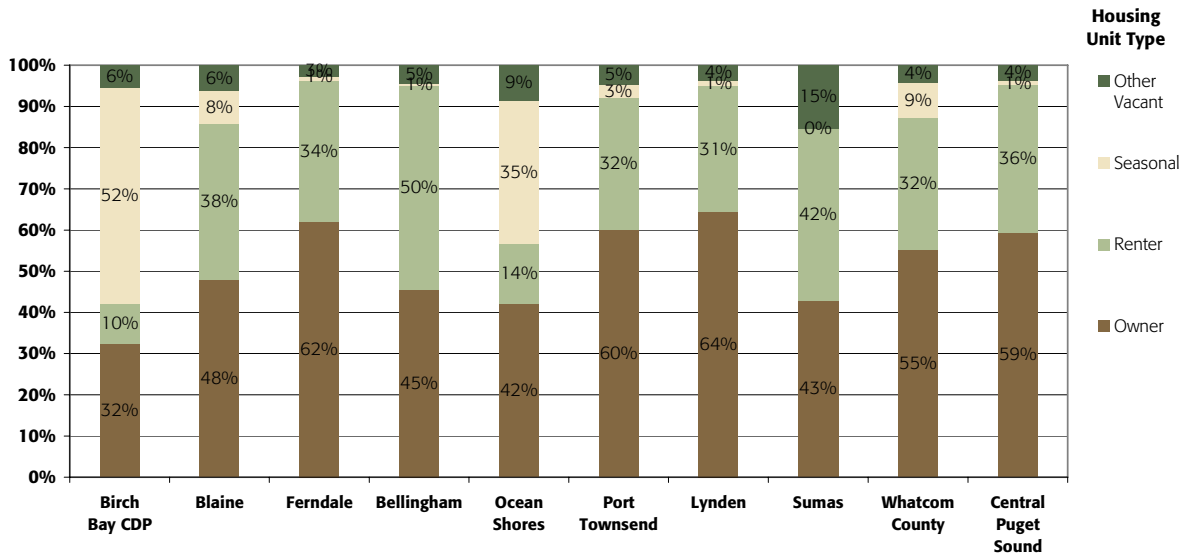
Source: Census 2000, and Berk & Associates 2007

- **Exhibit 10** shows foreign born *residents*, and does not include foreign born property owners.
- Birch Bay CDP has the highest percentage of residents born in Canada, followed closely only by Blaine.
- Ocean Shores, as a comparable vacation destination but much farther from the Canadian border, does not appear to have a sizable foreign-born population.

## 6.0 HOUSING

**Exhibit 11**

**Distribution of Housing Units by Tenure, 2000**



Source: Census 2000, and Berk & Associates 2007

- **Exhibit 11** demonstrates that Birch Bay has a higher percentage of seasonal population (52%) than any of the comparison cities. In Whatcom County only Blaine has a somewhat high seasonal population (8%), although much lower than Birch Bay. At 35%, Ocean Shores is somewhat comparable to Birch Bay in terms of seasonality.
- **Exhibit 12** shows other cities in Washington and Oregon with high seasonality component. In Washington, only cities of Ocean Shores and Long Beach come somewhat close to Birch Bay, although many Oregon coastal cities exhibit same high seasonality pattern.

**Exhibit 12**

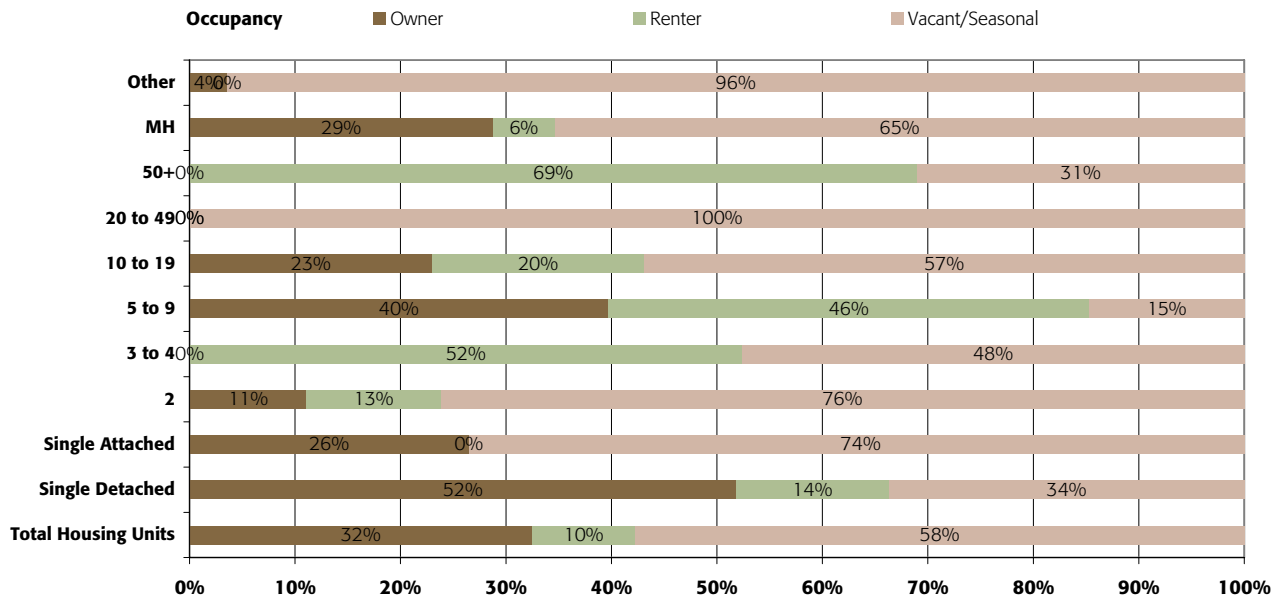
**Comparison of Birch Bay to Washington and Oregon Cities with High Seasonality, 1999**

Place	2000 Census		
	Total Housing Units (HUs)	Seasonal, recreational, or occasional HUs	Seasonal %
<i>Washington State</i>			
<b>Birch Bay CDP</b>	<b>5,094</b>	<b>2,661</b>	<b>52%</b>
Ocean Shores	3,177	1,106	35%
Long Beach	1,157	394	34%
Chelan	2,066	407	20%
Westport	1,338	193	14%
Blaine	1,740	137	8%
<i>Oregon State</i>			
Manzanita	1,074	755	70%
Gearhart	1,050	568	54%
Rockaway Beach	1,599	822	51%
Cannon Beach	1,660	849	51%
Lincoln City	5,017	1,270	25%
Seaside	4,061	865	21%

Source: Census 2000, and Berk & Associates 2007

**Exhibit 13**

**Distribution of Housing Units by Occupancy and Tenure for Birch Bay, 2000**

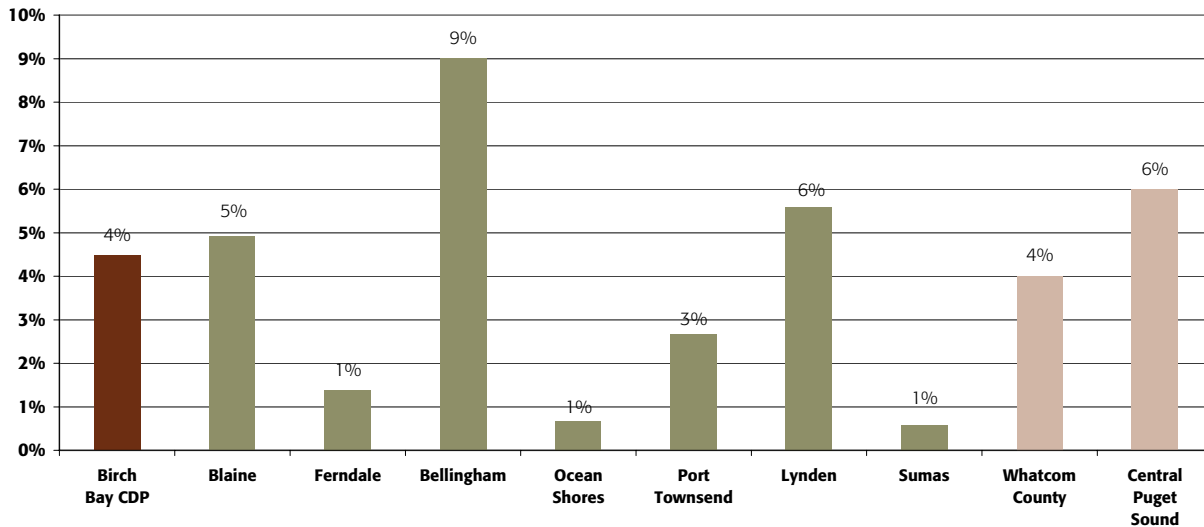


Source: Census 2000, and Berk & Associates 2007

- **Exhibit 13** shows Birch Bay CDP’s occupancy breakdown for all of the different types of housing detailed by the U.S. Census. This Exhibit once again demonstrates the seasonal nature of housing stock in Birch Bay.
- Around half of Birch Bay’s single-family detached housing units are occupied by the owner.
- Meanwhile, many of Birch Bay multi-family units are occupied by renters, ranging from 13% to 69% across the different categories of multi-family housing.

**Exhibit 14**

**Percentage of Multifamily Housing Units that are Owner-occupied, 2000**



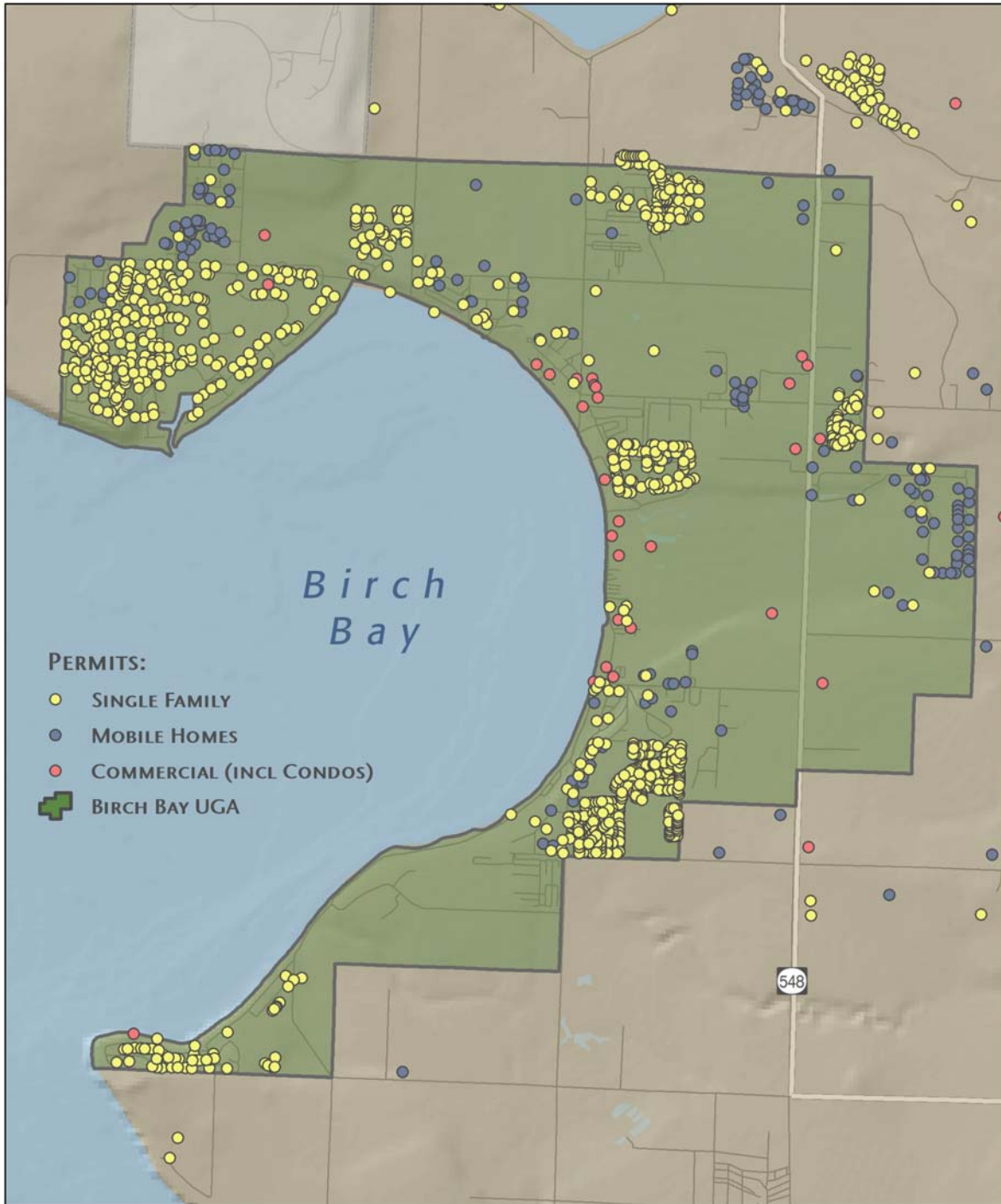
Source: Census 2000, and Berk & Associates 2007

- The measure of owner-occupied multifamily housing units, seen in **Exhibit 14**, describes what percentage of the units in buildings with 2 or more units are owner-occupied (condominiums), as opposed to rental units (apartments).
- By far the highest rate of owner-occupancy for units in multifamily buildings in this group is Bellingham, at 9%.
- Birch Bay is part of a middle tier of places, those around 4%.
- A lower tier consists of Ocean Shores, Ferndale, and Sumas, all with rates around 1%. Nearly all possible units in multifamily buildings and developments are rentals in these places.

## 7.0 BUILDING PERMITS

### Exhibit 15

#### Permits for New Construction in Birch Bay, 2000-2007



Source: Whatcom County 2007 and Berk & Associates, 2007

**Exhibit 15** shows permits for new construction in Birch Bay issued by Whatcom County during the years 2000 through 2007.

- Most residential permits are concentrated in relatively large-scale developments within certain areas of Birch Bay, such as Birch Bay Village.
- New commercial permits are largely found in the center of Birch Bay UGA, close to the shoreline.

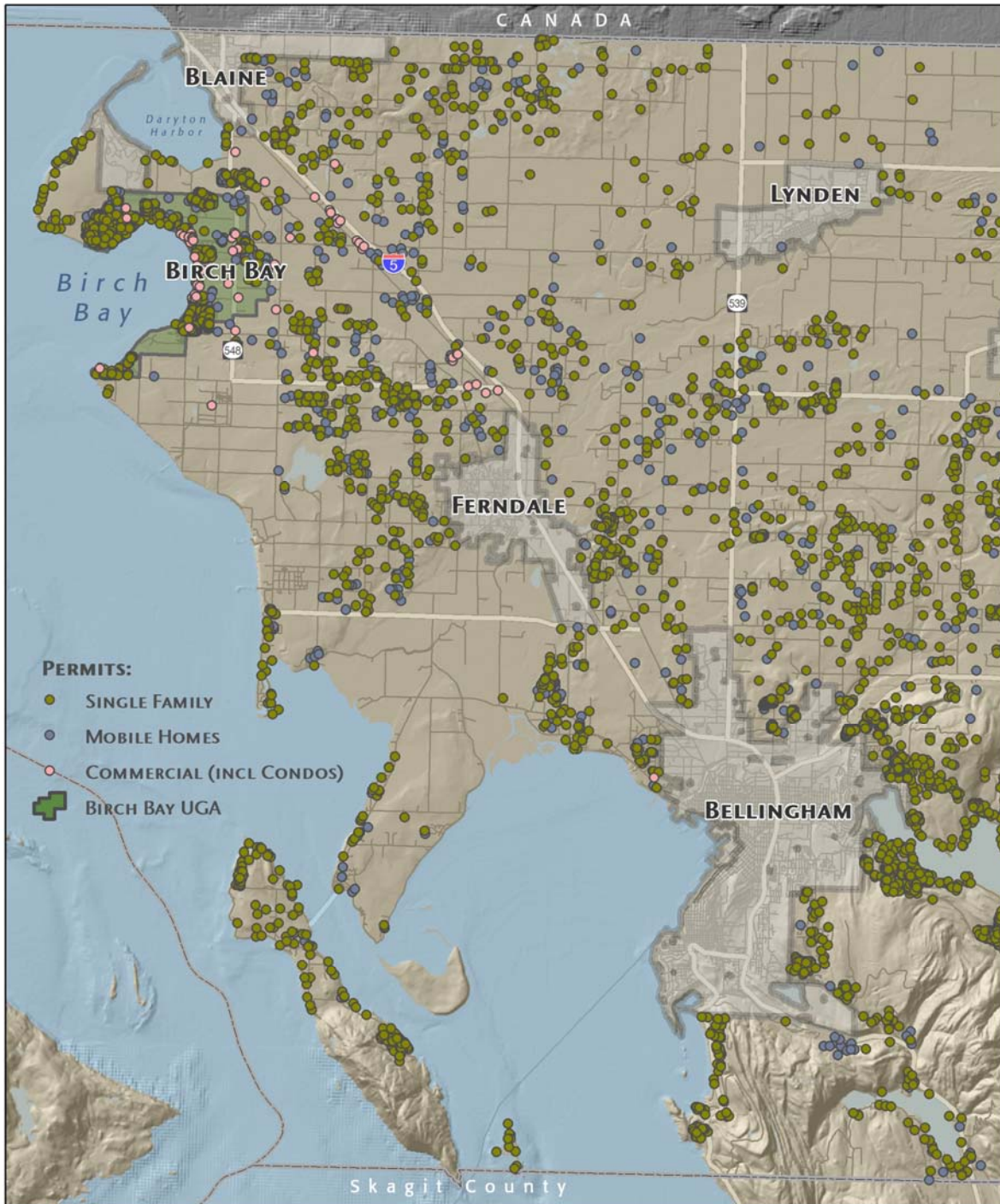
**Exhibit 16** focuses on permitting activity in Whatcom as a whole, showing permits for new construction in unincorporated Whatcom County in the years 2000 through 2007.

- Much of the unincorporated County's residential construction activity is clustered near the boundaries of existing cities, or in proximity to Puget Sound and lakes. However, a significant portion of development is scattered throughout the unincorporated area.

**Exhibit 17** shows permits for new plats in Birch Bay issued by Whatcom County during the years 2000 through 2007. Short plats represent five lots or less, and long plats represent more than five plots. The map demonstrates the location and lot size of various plats permitted in Birch Bay over the last seven years.

Exhibit 16

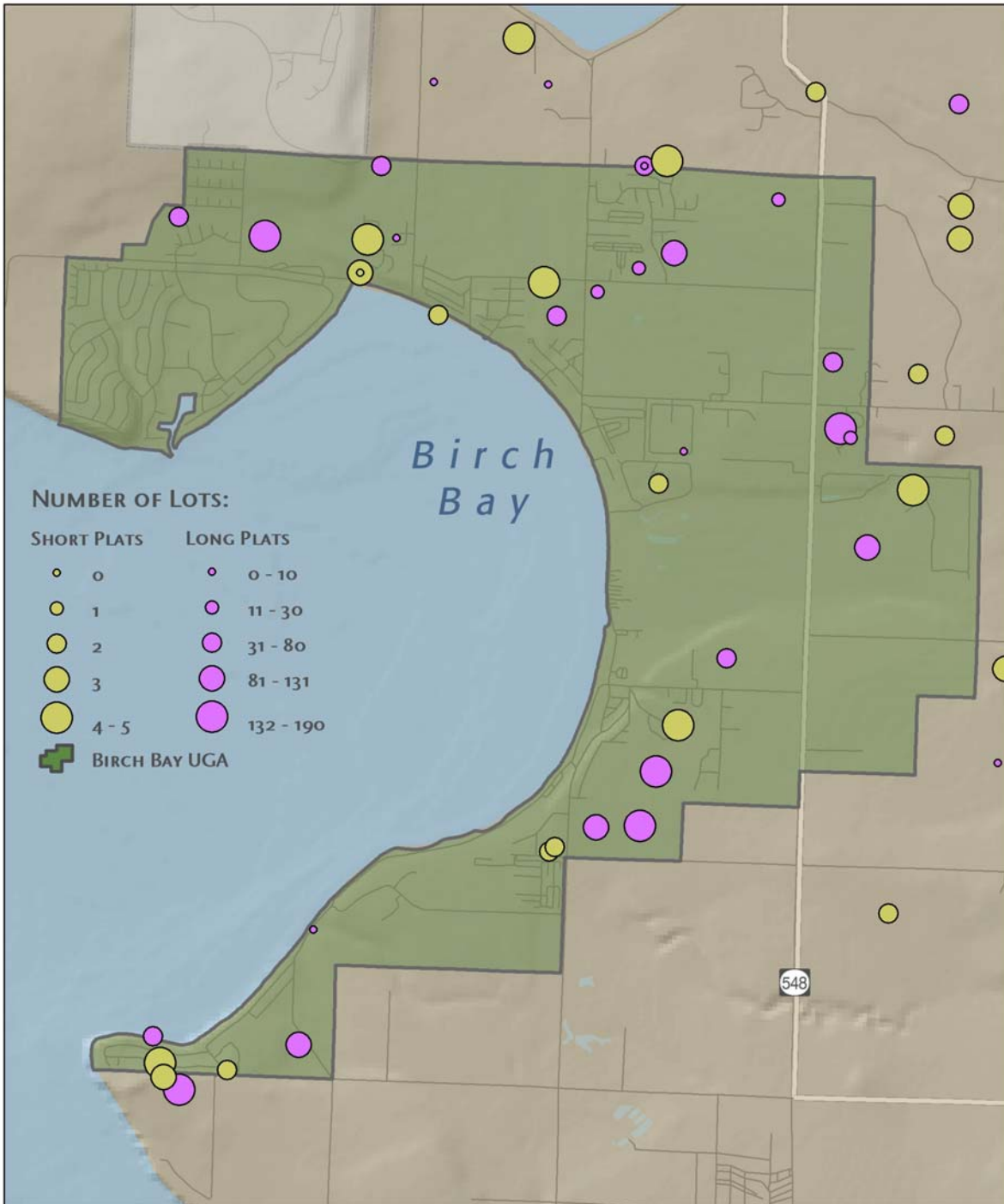
Permits for New Construction in Unincorporated Whatcom County, 2000-2007



Source: Whatcom County 2007 and Berk & Associates, 2007

Exhibit 17

Permits for Short and Long Plats in Birch Bay, 2000-2007



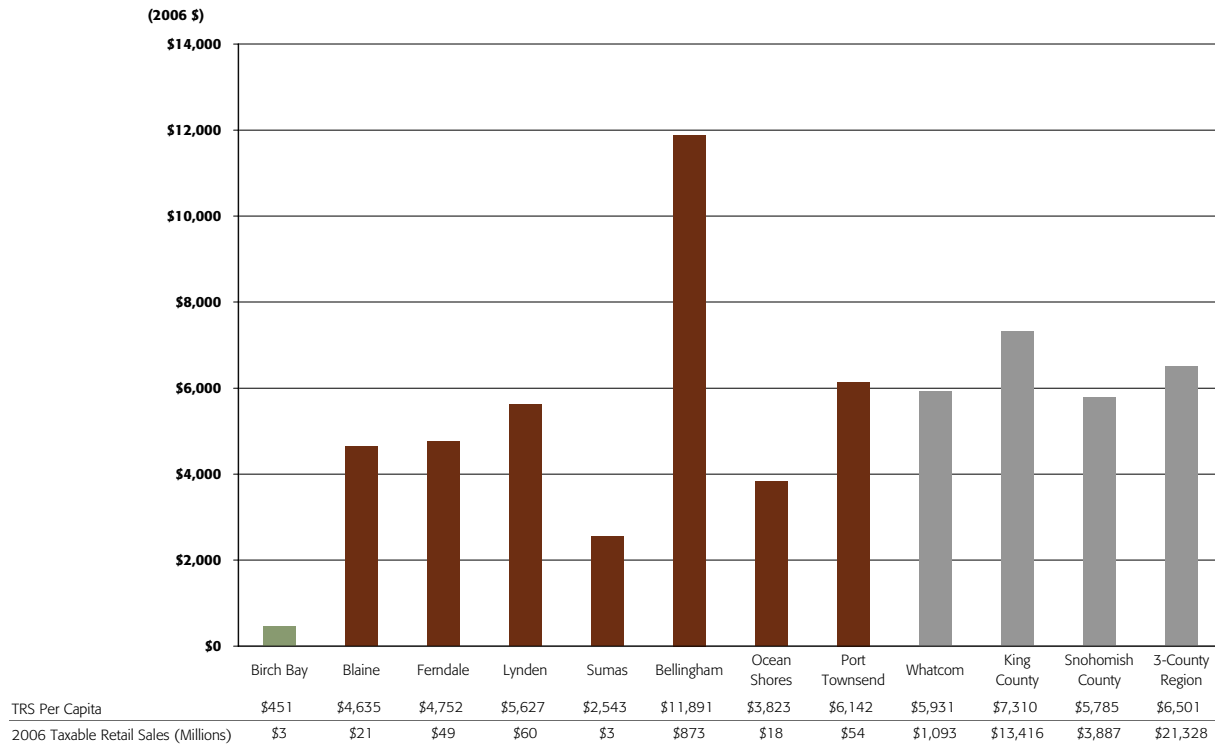
Source: Whatcom County 2007 and Berk & Associates, 2007

## 8.0 RETAIL ANALYSIS

**Exhibit 18** shows taxable retail sales per capita *for retail categories* for Birch Bay and other communities. It is important to note that, as an area with relatively little traditional retail, a City of Birch Bay would receive most of its retail sales tax revenues from categories that are not shown here (including sales taxes on construction, and sales taxes on goods and services consumed in people's homes).

**Exhibit 18**

### Taxable Retail Sales for Traditional Retail Categories Per Capita, Excluding Auto Sales, 2006

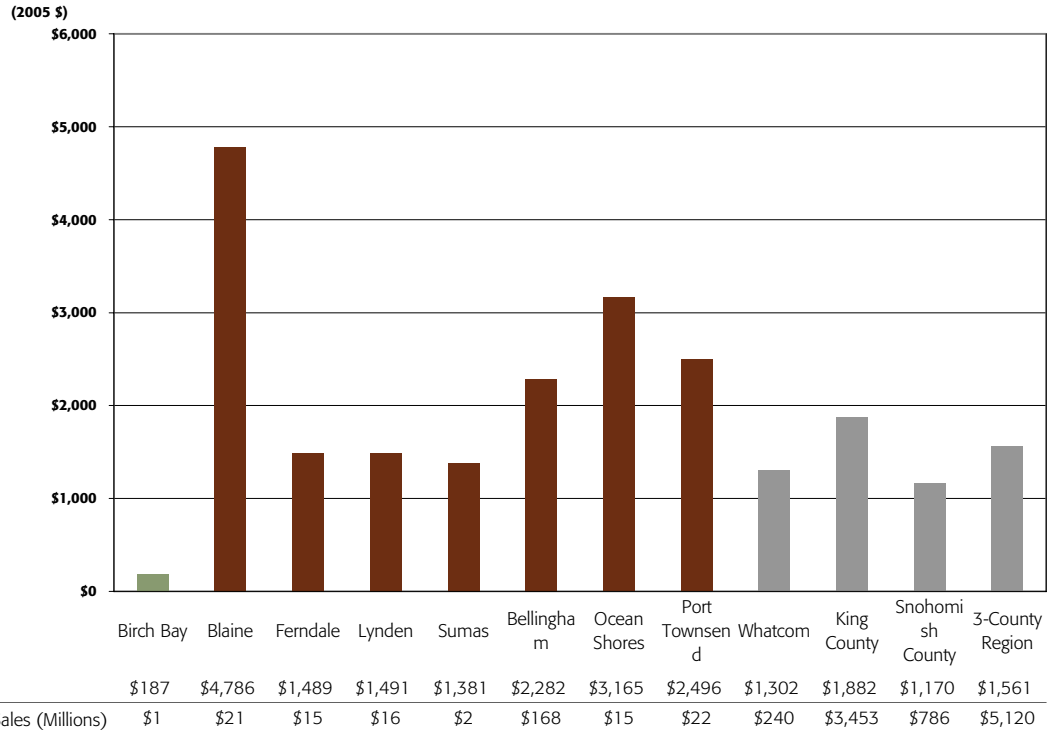


Source: Washington Department of Revenue, 2007, Office of Financial Management, 2007, and Berk & Associates, 2007

- Birch Bay's Taxable Retail Sales per capita in 2006 (\$451) was the smallest of the communities compared here.
- Birch Bay was far below Blaine (\$4,635), Bellingham (\$11,891), and Whatcom County (\$5,931).

**Exhibit 19**

**Taxable Retail Sales Per Capita for Food and Restaurant Services  
(not grocery stores), 2006**

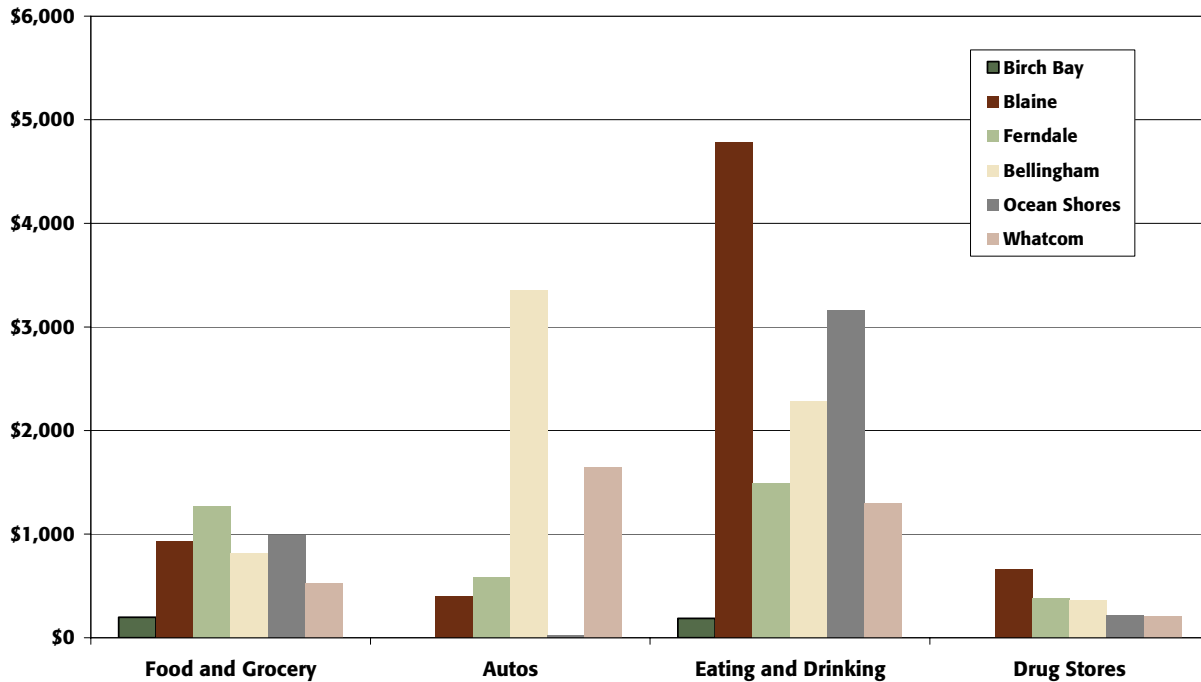


Source: Washington Department of Revenue, 2007, Office of Financial Management, 2007, and Berk & Associates, 2007

- **Exhibit 19** and **Exhibit 20** show a similar picture to **Exhibit 18**.
- Birch Bay has the lowest taxable retail sales per capita for restaurant services out of all communities compared. City of Blaine stands out as having the highest taxable retail sales per capita for restaurant services.

**Exhibit 20**

**Taxable Retail Sales Per Capita for Selected Retail Categories, 2006**

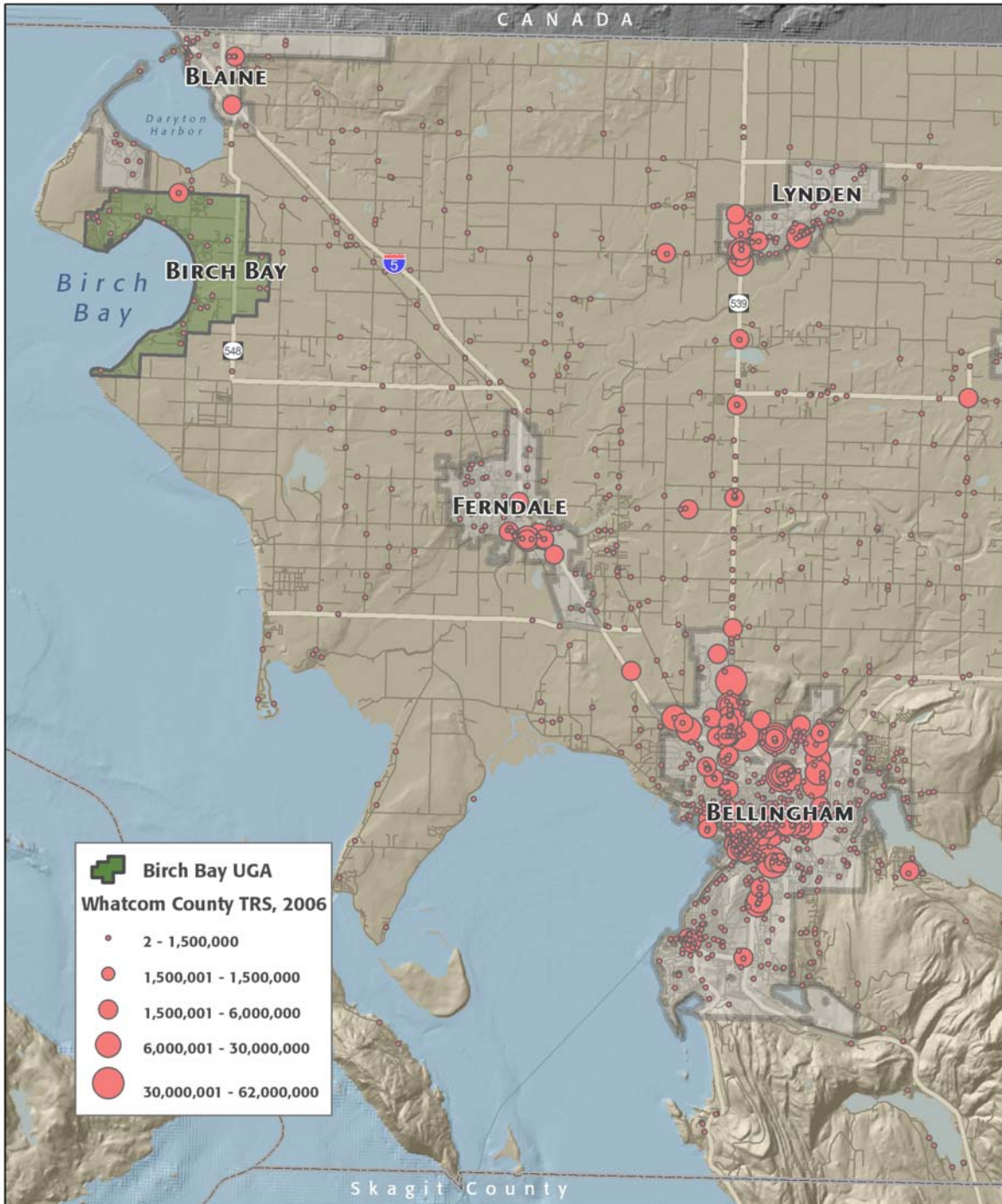


Source: Washington Department of Revenue, 2007, Office of Financial Management, 2007, and Berk & Associates, 2007

- **Exhibit 21** shows taxable retail sales in Western Whatcom County.
- It is easy to see the established retail centers within existing Whatcom County cities. Bellingham has the most taxable activity, followed by Lynden and Ferndale, and Blaine.
- It is not unusual for an area with a full-time population as small as Birch Bay's to have relatively few retail options. Depending on the particular circumstances, however, as a city's population gets close to 10,000, greater opportunities emerge for convenience-oriented retailers to move into an area. For Birch Bay, which has the added demand of a large seasonal population, one would expect the full-time population threshold for new retail development to be somewhat lower than that of a traditional city.

Exhibit 21

Taxable Retail Sales in Western Whatcom County for Retail Categories



Source: Department of Revenue, 2007 and Berk & Associates, 2007

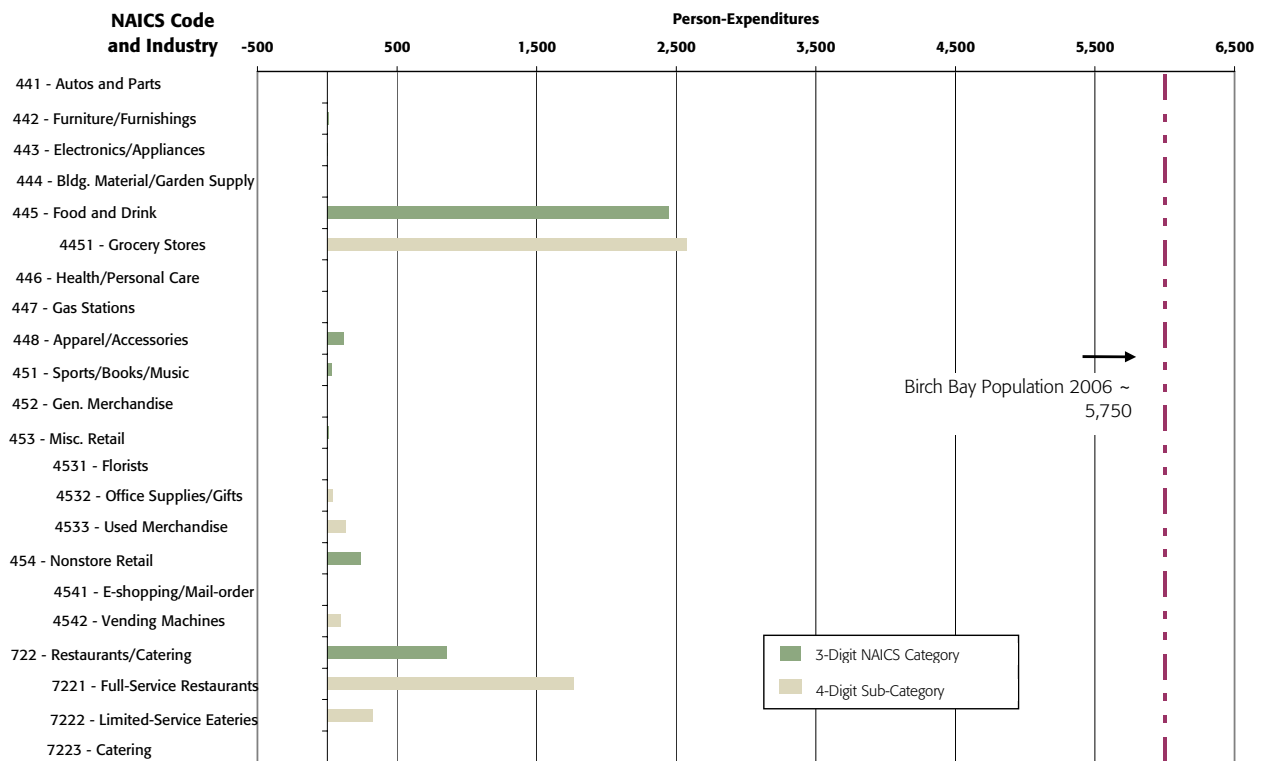
## 8.1 Person-Expenditures

One way to assess the relative strength of a city's retail sector is in terms of the number of "person-expenditures" the city's retail outlets capture. For example, if a typical person in Washington spends \$1,000 annually on grocery store purchases, and if grocery stores in a town take in \$1 million in grocery sales per year, then the town's stores are taking in the equivalent of 1,000 people's expenditures (\$1 million of expenditures divided by \$1,000 per person = 1,000 person-expenditures). Cities that provide retail options for surrounding areas will typically draw in person-expenditures that exceed the city's population. On the other hand, cities that are not able to support significant retail centers often capture person-expenditures that are far below the city's population (sometimes referred to as retail "leakage").

**Exhibit 22** converts Birch Bay's retail sales into person-expenditures for various retail sub-categories. It shows person-expenditures for some of the significant retail sub-categories, along with the proposed City's population.

**Exhibit 22**

### Birch Bay Person-Expenditures 2006, by Industry for Retail Categories

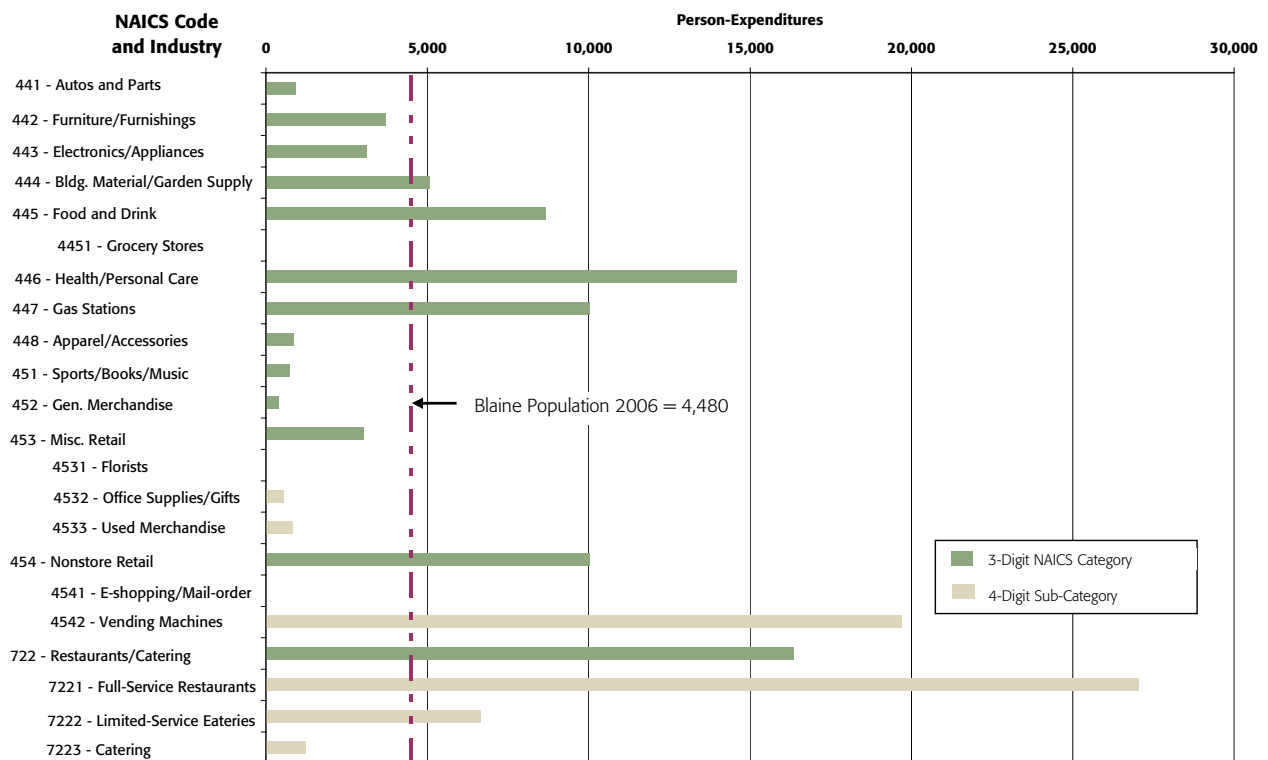


Source: Washington Department of Revenue, 2007, Census 2000, and Berk & Associates, 2007

- As evident from **Exhibit 22**, all of retail sectors within Birch Bay capture fewer person-expenditures than the proposed City's population. Once the area reaches a certain population threshold, one would expect an influx of retailers and an increase in the area's capture of local spending. Big-box retailers and mall-oriented apparel retailers typically need to draw on a large population, and are therefore unlikely to be attracted to Birch Bay. Convenience-oriented retail like a grocery store or small drug store are more likely candidates. Another convenience-oriented category—restaurants are likely to be especially well-suited to Birch Bay because they can be well-supported by both local residents and seasonal visitors.
- In contrast, as demonstrated in **Exhibit 23**, the City of Blaine has retail person-expenditures that are above its population for a majority of the retail sub-categories shown here. Blaine is especially strong in Food and Drink, Health/Personal Care, Gas Stations, and Restaurants categories. One reason for this may be that visitors to and from Canada, as well as residents of unincorporated areas, may be shopping in Blaine.

**Exhibit 23**

**Blaine Person-Expenditures 2006, by Industry for Retail Categories**

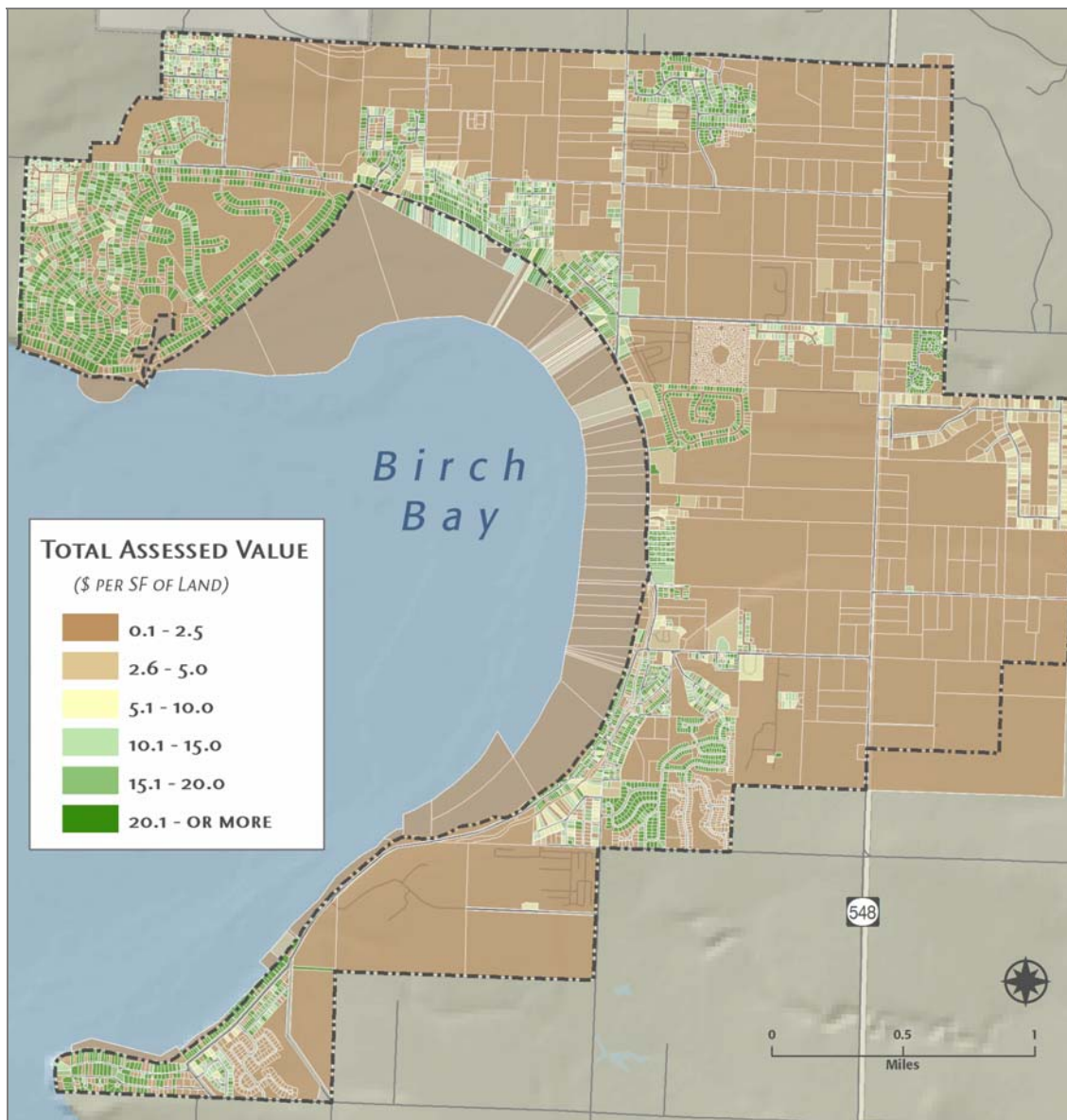


Source: Washington Department of Revenue, 2007, Office of Financial Management, 2007, and Berk & Associates, 2007

## 9.0 ASSESSED VALUE

As a community, the Birch Bay UGA has a total assessed value in excess of \$1 billion, which translates to a value of nearly \$180,000 per resident. Compared with most existing cities in Washington State, this is a high value and would place Birch Bay in the top 10% of cities. Across the state, the City of Hunts Point had the highest AV per resident at \$1.4 million, but 75% of the state's cities had an AV per resident of less than \$100,000.

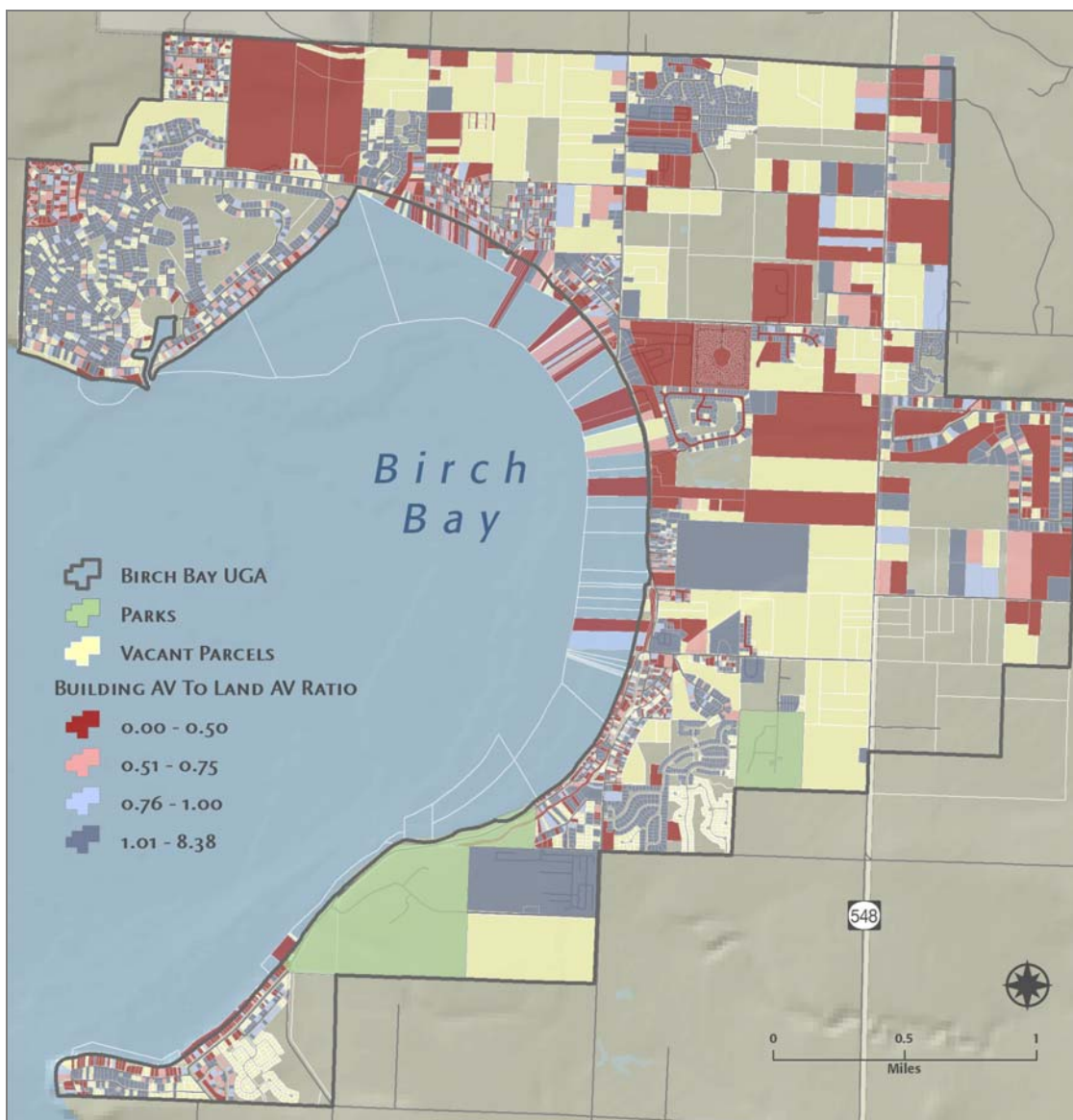
**Exhibit 24**  
**Birch Bay Density of Assessed Value by Parcel**  
**Total Assessed Value per Parcel Square Foot, 2007**



Source: Whatcom County Assessor, 2007, Whatcom County, 2007, and Berk & Associates, 2007

- **Exhibit 24** shows the density of assessed value in the Birch Bay UGA, showing that, in terms of value per parcel square foot, the highest value properties are dominated by smaller residential parcels.
- **Exhibit 25** looks at the same Birch Bay properties, but looks at properties with an eye towards potential development. The exhibit shows vacant properties and it also shows the ratio of building value to underlying land value. In the long run, properties with relatively low building-to-land-value ratios are more likely to see pressure for additional development or even redevelopment. What **Exhibit 25** shows is that Birch Bay appears to have a good deal of capacity remaining to absorb development in coming years. It is important to note, however, that not all of these properties can be developed due to environmental constraints (such as wetlands, streams, and others).

**Exhibit 25**  
**Birch Bay Assessed Building Value Divided by Land Value, 2007**



Source: Whatcom County Assessor, 2007, Whatcom County, 2007, and Berk & Associates, 2007